

VZCZCXRO9533
RR RUEHDE RUEHDIR
DE RUEHAD #4510/01 3531230
ZNY CCCCC ZZH
R 191230Z DEC 06 ZDS
FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC 7915
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHDC
RHEHNSC/NSC WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 004510

SIPDIS

C O R R E C T E D C O P Y - ADDED EO DATE AND CLASSIFIER LINE

SIPDIS

DEPT for NEA/ARP, EB/IFD/OIA
DEPT PASS TO USTR FOR AUSTR DONNELLY
COMMERCE FOR A/S BOHIGIAN, A/S PADILLA, U/S LAVIN
NSC FOR MCCORMICK

E.O. 12958: 12/19/2016

TAGS: [ETRD](#) [EINV](#) [AE](#)

SUBJECT: FTA WITH UAE ON HOLD

ABU DHABI 00004510 001.2 OF 002

CLASSIFIED BY CDA MARTIN QUINN FOR REASONS 1.4 (B) AND (D)

¶1. (C) Summary: On November 7, MinState Finance Kharbash and MinEcon Al-Qasimi told AUSTR Donnelly that given the time constraints imposed by the expiration of U.S. Trade Promotion Authority (TPA), the UAE did not believe that an FTA with the United States could be completed before TPA expired. The Ministers expressed their strong support for eventually completing an FTA with the United States and their interest in what steps could be taken in lieu of an FTA to strengthen the UAE-U.S. economic relationship. Donnelly agreed that it was important to focus on the path forward. The parties agreed that to work out a coordinated outreach strategy to manage private sector and public expectations on the FTA in the near future, preferably by January. The principals also agreed that their staff would begin the process of identifying specific policy initiatives for moving UAE-U.S. trade and investment forward and how to institutionalize this effort. End Summary.

¶2. (C) On December 7, AUSTR Shaun Donnelly met with MinState Finance Dr. Mohammed Khalfan bin Kharbash, the Chair of the UAE-US FTA negotiating team and MinEcon Sheikha Lubna Al-Qasimi, the negotiating Co-Chair. Ambassador and Econchief accompanied Donnelly. MinEcon U/S Abdullah Al-Saleh, MinFinance A/US Khalid Al-Bustani, and UAE Embassy (Washington) Commercial Attach Reem Al-Hashimy also attended the meeting. This meeting was subsequent to the separate mid-September meetings AUSTR Donnelly had held with the UAE Foreign Minister and with Shaikha Lubna in New York, in which Donnelly shared the USG position that either dramatic steps would be necessary to reinvigorate the FTA negotiations, or the two sides would need to pursue alternatives to an FTA.

Commitment to FTA - but timeframe too short

¶3. (C) Dr. Kharbash stressed the strategic importance of the bilateral relationship. He said that UAE Foreign Minister Sheikh Abdullah bin Zayed Al-Nahyan (AbZ) had described the FTA as part of this overall relationship and told the negotiators that he (AbZ) did not want anything to jeopardize that relationship. Sheikha Lubna said, given the time constraints imposed by the expiration of U.S. Trade Promotion Authority (TPA), the UAE wanted to understand the alternatives if an FTA could not be concluded in time. She added that she did not want to see the tremendous work both sides had put into the negotiations lost. Donnelly agreed that there was a need to look at the path forward. He reiterated the two possible paths: one) finding a way to sign the FTA in the very short time period remaining, which would be very difficult; and two) developing an

alternative set of initiatives that would advance the relationship, capitalize on existing work and maintain momentum with the goal of achieving an FTA in the medium-term.

14. (C) Donnelly asked whether the UAEG thought it would be possible to conclude an FTA in the next few months. Dr. Kharbash noted that, although the negotiations had made good progress in a number of areas, there were still gaps to be bridged in areas such as investment. Kharbash noted that the Labor chapter was essentially concluded. He acknowledged that given the time frame, it would "be difficult to say we can conclude" an FTA.

What are the options?

15. (C) Donnelly explained that USTR was examining options on how both sides could capture the benefits of the negotiations and maintain momentum. Donnelly explained that the Trade and Investment Framework (TIFA) process had been successful for the U.S. and the UAE. It might be possible to enhance that as a way to signal continued cooperation. Donnelly also noted that there were other possible areas to manage engagement, including through anti-counterfeiting cooperation, e-commerce standards, which could demonstrate serious substantive commitments. In response to Donnelly's request for UAE ideas, Dr. Kharbash said that he agreed that keeping the FTA and engagement alive was necessary to send a strong message to the public and the business community in both countries.

16. (C) Dr. Kharbash suggested that since the FTA's investment provisions were proving so problematic to negotiate, both sides could explore the value of negotiating a Bilateral Investment Treaty (BIT) as a way to make progress over a time-period not dictated by TPA. Al-Qasimi noted that while a stumbling block for the FTA, the investment sector was a priority for both countries. Donnelly cautioned that, while there were important procedural differences between a BIT and an FTA, the two sides would face the same substantive issues (i.e., including the energy sector, dispute settlement, and investor-state arbitration). He explained that the State Department and USTR shared the negotiating lead on BITs. Donnelly said that the USG had not approached the U.S. business community about a BIT with the UAE, as it was already negotiating an

ABU DHABI 00004510 002.2 OF 002

CLASSIFIED BY CDA MARTIN QUINN FOR REASONS 1.4 (B) AND (D)

FTA. Donnelly said that he would explore the BIT concept with his colleagues in Washington. The Abu Dhabi National Oil Company (ADNOC) and the Abu Dhabi Investment Authority (ADIA), he stressed, should not think that the U.S. position on a BIT versus FTA investment chapter would be fundamentally different. Both sides agreed that a rigorous exploration of possible next steps needs to take place soon so that concrete alternatives to an FTA can be agreed to, and that an appropriate strategy needs to be developed for communicating these changes to the public.

17. (U) Text of Press Release

Dec 7, 2006 - 07:26 - Dubai, Dec. 7th, 2006 (WAM) - As part of a regional trip to the Gulf region, Assistant U.S. Trade Representative Shaun Donnelly met in Dubai with Dr. Mohammed Khalfan bin Kharbash, Minister of State for Finance and Industry, Chair of the U.S.-UAE Free Trade Negotiating Council and Sheikha Lubna Al-Qasimi, Minister of Economy, Co-Chair of the U.S.-UAE Free Trade Negotiating Council.

Attending the meeting were Michele J. Sison, U.S. Ambassador to the UAE, and Oliver John, Economic Attach. Emirati attendees were Abdulla Al-Saleh, Under Secretary of the Ministry of Economy, Khalid Al-Bustani, Assistant Under Secretary for Revenue and Budget, Reem Al-Hashimy, Commercial Attach at the UAE Embassy to the U.S. in Washington DC.

The parties discussed the progress of the negotiations on the Free Trade Agreement between the United Arab Emirates and the United States, which began in March 2005.

The parties reviewed the progress of the major issues of the negotiations and the progress achieved by the negotiating teams, formed by both sides. The sides reaffirmed the importance of continued efforts to broaden and deepen the economic and trade relations between the United States and the United Arab Emirates.

18. (U) This message has been cleared by AUSTR Donnelly.

Quinn